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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-88876; File No. SR-CboeEDGX-2020-020]

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend its Fees Schedule
May 14, 2020.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on May 1, 2020, Cboe EDGX Exchange, Inc. (the “Exchange” or “EDGX”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

Cboe EDGX Exchange, Inc. (the “Exchange” or “EDGX Options”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend its Fees Schedule. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Exchange’s website (http://markets.cboe.com/us/options/regulation/rule_filings/edgx/), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend its Fees Schedule for its equity options platform (EDGX Options), effective May 1, 2020.

The Exchange first notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive or incentives to be insufficient. More specifically, the Exchange is only one of 16 options venues to which market participants may direct their order flow. Based on publicly available information, no single options exchange has more than 20% of the market share and currently the Exchange represents only 4% of the market share.³ Thus, in such a low-concentrated and highly competitive market, no single options exchange, including the Exchange, possesses significant pricing power in the execution of option order flow. The Exchange believes that the ever-shifting market share among the exchanges from month to month demonstrates that market participants can shift order flow, or discontinue to reduce use of certain categories of products, in response to fee changes. Accordingly, competitive forces constrain the Exchange's transaction fees, and market participants can readily trade on competing venues if they deem pricing levels at those other venues to be more favorable.

The Exchange's Fees Schedule sets forth standard rebates and rates applied per contract. For example, the Exchange provides standard rebates ranging from \$0.01 up to \$0.21 per contract for orders that add liquidity in both Penny and Non-Penny Securities and assesses fees ranging from \$0.01 up to \$0.75 per contract for orders that remove liquidity in both Penny and Non-Penny Securities. The Exchange also offers tiered pricing which provides Members⁴ opportunities to qualify for higher rebates or reduced fees where certain volume criteria and

³ See Cboe Global Markets U.S. Options Market Volume Summary (April 27, 2020), available at https://markets.cboe.com/us/options/market_statistics/.

⁴ See Exchange Rule 1.5(n).

thresholds are met. Footnote 5 of the Fees Schedule provides that when orders are submitted with a Designated Give Up,⁵ the applicable rebates (i.e., any standard rebate or applicable tier rebates) for orders yielding fee code BC,⁶ NC,⁷ PC,⁸ SC,⁹ QA¹⁰ and QM¹¹ are provided to the Member who routed the order to the Exchange. Now, the Exchange proposes to amend footnote 5 to include fee codes ZA¹² and ZB¹³ in the aforementioned list of fee codes.

Under Rule 21.12 a Member acting as an options routing firm on behalf of one or more other Exchange Members (a “Routing Firm”) is able to route orders to the Exchange and to immediately give up the party (a party other than the Routing Firm itself or the Routing Firm’s own clearing firm) who will accept and clear any resulting transaction. Because the Routing Firm is responsible for the decision to route the order to the Exchange, the Exchange provides the rebate to the Routing Firm when the orders yield fee codes BC, NC, PC, SC, QA and QM. The Exchange believes that the Routing Firm should also be provided the rebate when the orders yield fee codes ZA and ZB as those orders also represent liquidity adding customer orders for which the Routing Firm is responsible for the decision to route the order to the Exchange. In

⁵ A Designated Give Up of a User refers to a Clearing Member identified to the Exchange by that User as a Clearing Member the User requests the ability to give up and that has been processed by the Exchange as a Designated Give Up. See Exchange Rule 21.12(b).

⁶ Orders yielding fee code BC represent AIM Agency (Customer) orders.

⁷ Orders yielding fee code NC represent Customer, Non-Penny orders.

⁸ Orders yielding fee code PC represent Customer, Penny Pilot orders.

⁹ Orders yielding fee code SC represent SAM Agency (Customer) orders.

¹⁰ Orders yielding fee code QA represent QCC Agency (Customer) orders.

¹¹ Orders yielding fee code QM represent QCC Agency (Non-Customer) orders.

¹² Orders yielding fee code ZA represent Complex, Customer (contra Non-Customer), Penny orders.

¹³ Orders yielding fee code ZB represent Complex, Customer (contra Non-Customer), Non-Penny orders.

connection with this change, the Exchange proposes to append footnote 5 to fee codes ZA and ZB in the Fee Codes and Associated Fees table of the Fees Schedule.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6 of the Act.¹⁴ Specifically, the Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,¹⁵ in that it provides for the equitable allocation of reasonable dues, fees and other charges among Members and other persons using any facility or system which the Exchange operates or controls.

The Exchange notes that the U.S. options markets are highly competitive, and the proposed fee structure is intended to provide an incentive for Members to direct orders to the Exchange. The proposal would apply to fee codes ZA and ZB related to customer liquidity adding orders, because these, along with the fee codes already included in Footnote 5, are the primary rebates in place on the Exchange and reflect the primary liquidity that the Exchange is seeking to attract from Routing Firms that are able to identify Designated Give Ups.¹⁶ The Exchange believes the proposed amendment is reasonable because the Exchange already provides such rebates to the Routing Firm for orders yielding similar fee codes for customer liquidity adding orders (i.e., orders yielding fee codes BC, NC, PC, QA, and SC). Additionally, the Exchange believes that the proposed amendments to its Fees Schedule will enhance the

¹⁴ 15 U.S.C. 78f.

¹⁵ 15 U.S.C. 78f(b)(4).

¹⁶ The Exchange notes that Market-Makers may only give up its respective Guarantor, as defined by Rule 21.12(b)(2). See Exchange Rule 21.12(b)(5).

Exchange's competitive position and will result in increased liquidity on the Exchange, to the benefit of all Exchange participants. Therefore, the Exchange believes that providing rebates is equitable and reasonable and not unfairly discriminatory as it would allow the Exchange, in the context of the give up procedure described above, to provide a rebate directly to the party making the routing decision to direct certain orders to the Exchange (i.e., the Routing Firm), which is consistent with both the Exchange's historic practice and the purpose behind a rebate (i.e., to incentivize the order being directed to the Exchange).

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange believes its proposed amendments to its Fees Schedule would not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that the proposed change represents a significant departure from previous pricing offered by the Exchange or its competitors. Additionally, Members may opt to disfavor the Exchange's pricing if they believe that alternatives offer them better value. The Exchange believes that its proposal will incentivize Routing Firms that are utilizing the give up procedure to direct orders yielding fee code ZA and ZB to the Exchange, and will enhance the Exchange's competitive position by resulting in increased liquidity on the Exchange, thereby providing more opportunities for customers to receive best executions.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange neither solicited nor received comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁷ and paragraph (f) of Rule 19b-4¹⁸ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CboeEDGX-2020-020 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CboeEDGX-2020-020. This file number should be included on the subject line if e-mail is used. To help the Commission process and review

¹⁷ 15 U.S.C. 78s(b)(3)(A).

¹⁸ 17 CFR 240.19b-4(f).

your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CboeEDGX-2020-020 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁹

J. Matthew DeLesDernier,
Assistant Secretary.

¹⁹ 17 CFR 200.30-3(a)(12).

